

# Truffle SCI\* Income Plus Fund

## Fund Objective

The Fund aims to achieve higher yields of income than money market portfolios, while aiming to preserve capital through actively investing in a range of predominantly South African fixed income securities.

## Investment Policy Summary

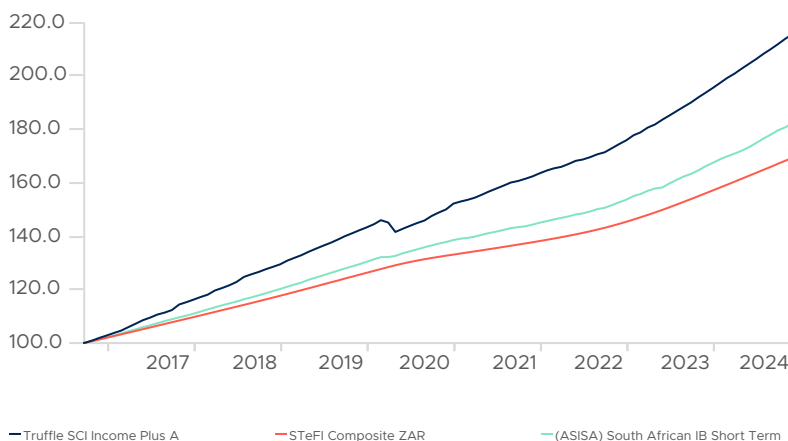
The fund is actively managed through varying market cycles to exploit income earning opportunities while managing the risk of capital loss. The fund invests in a range of fixed income securities including corporate and government bonds and money market instruments that pay regular interest. Other investments may include units of other South African funds and offshore investments as legislation permits. The fund will predominantly invest in short term fixed income securities, but may include a proportion of longer dated securities, within permissible parameters for a predominantly South African, short-term interest-bearing portfolio. The fund may also invest in derivative instruments for efficient portfolio management purposes.

## Why Choose This Fund?

1. Invest in a broad range of meticulously selected fixed income securities.
2. Truly active portfolio management where opportunities are clearly identified and exploited.
3. A strong focus on downside risk management that aims to protect capital through all market cycles.

## Investment Growth\*\*

Time Period: 22/09/2016 to 30/11/2024



## Annualised Performance (%)

|                 | Fund  | Benchmark |
|-----------------|-------|-----------|
| 1 Year          | 11.29 | 8.50      |
| 3 Years         | 9.89  | 7.12      |
| 5 Years         | 8.66  | 6.15      |
| Since Inception | 9.82  | 6.64      |

## Risk Statistics (3 Year Rolling)

|                    |      |
|--------------------|------|
| Standard Deviation | 0.69 |
| Sharpe Ratio       | 5.62 |
| Max Drawdown       |      |

## Highest & Lowest Annual Return

|  |       |
|--|-------|
| Time Period: Since Inception to 31/12/2023 |       |
| Highest Annual %                           | 12.99 |
| Lowest Annual %                            | 6.19  |

## Monthly Returns (%)

|      | Jan  | Feb  | Mar   | Apr   | May  | Jun  | Jul  | Aug  | Sep  | Oct  | Nov  | Dec  | Year  |
|------|------|------|-------|-------|------|------|------|------|------|------|------|------|-------|
| 2024 | 0.98 | 0.91 | 0.81  | 0.92  | 0.90 | 0.85 | 0.96 | 0.85 | 0.88 | 0.95 | 0.80 |      | 10.26 |
| 2023 | 1.09 | 0.56 | 1.02  | 0.62  | 0.99 | 0.85 | 0.90 | 0.89 | 0.84 | 1.01 | 0.89 | 0.94 | 11.12 |
| 2022 | 0.65 | 0.46 | 0.33  | 0.63  | 0.72 | 0.29 | 0.52 | 0.64 | 0.43 | 0.90 | 0.87 | 0.83 | 7.54  |
| 2021 | 0.52 | 0.39 | 0.53  | 0.72  | 0.80 | 0.68 | 0.70 | 0.73 | 0.35 | 0.52 | 0.56 | 0.72 | 7.46  |
| 2020 | 0.83 | 1.04 | -0.60 | -2.43 | 0.84 | 0.76 | 0.75 | 0.65 | 1.15 | 0.90 | 0.76 | 1.45 | 6.19  |
| 2019 | 1.09 | 0.74 | 0.80  | 0.95  | 0.87 | 0.81 | 0.78 | 0.90 | 0.92 | 0.79 | 0.79 | 0.76 | 10.67 |
| 2018 | 0.86 | 0.70 | 1.35  | 0.76  | 0.87 | 1.00 | 1.53 | 0.78 | 0.67 | 0.83 | 0.70 | 0.74 | 11.33 |
| 2017 | 0.93 | 0.78 | 1.27  | 1.18  | 1.24 | 0.87 | 1.05 | 0.68 | 0.84 | 1.86 | 0.75 | 0.84 | 12.99 |
| 2016 |      |      |       |       |      |      |      |      |      | 0.87 | 0.97 | 0.87 |       |

\*\*The investment performance is for illustrative purposes only. The investment performance is calculated taking the actual initial fees and all ongoing fees into account for the amount shown and income is reinvested on the reinvestment date.

Effective 1 December 2024, SCI will change a monthly administration fee of R23 (VAT Inclusive) on retail investors whose total investment value is less than R50 000. Clients with an active recurring monthly debit order will not be levied this fee.

administered by



## Fund Information

|                             |  |
|-----------------------------|--|
| MDD Issue Date              | 17/12/2024                               |
| Ticker                      | TMICA                                    |
| ISIN                        | ZAE000225108                             |
| Portfolio Manager           | Hannes van der Westhuyzen & Raihan Allie |
| ASISA Sector (South Africa) | (ASISA) South African IB Short Term      |
| Risk Profile                | Conservative                             |
| Benchmark                   | STeFI Composite Index                    |
| Fund Size                   | R 1,417,397,372                          |
| Portfolio Launch Date       | 22/09/2016                               |
| Fee Class Launch Date       | 22/09/2016                               |
| Minimum Lump Sum Investment | R 10,000                                 |
| Minimum Monthly Investment  | R 500                                    |
| Income Declaration Date     | Monthly                                  |
| Income Payment Date         | 1st business day of the following month  |
| Transaction Cut Off Time    | 15:00                                    |
| Portfolio Valuation Time    | 15:00                                    |
| Daily Price Information     | Local media & www.sanlamunitrusts.co.za  |
| Repurchase Period           | 2-3 business days                        |
| Base Currency               | Rand                                     |

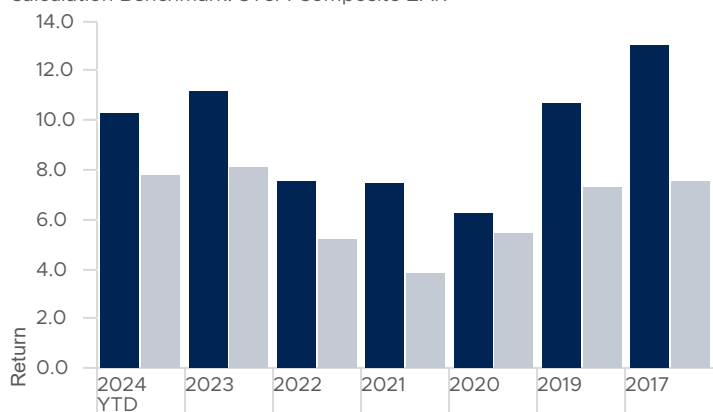
## Fees (incl. VAT)

### A-Class (%)

|                            |                                     |
|----------------------------|-------------------------------------|
| Maximum Initial Advice Fee | 3.45                                |
| Maximum Annual Advice Fee  | 1.15                                |
| Manager Annual Fee         | 0.58                                |
| Total Expense Ratio        | 0.63                                |
| Transaction Cost           | 0.00                                |
| Total Investment Charge    | 0.63                                |
| TER Measurement Period     | 01 October 2021 - 30 September 2024 |

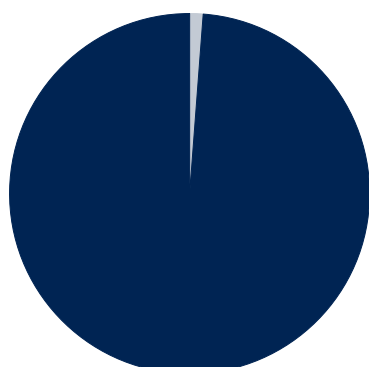
## Returns

Calculation Benchmark: STeFI Composite ZAR



■ Truffle SCI Income Plus A ■ STeFI Composite ZAR

## Asset Allocation (30/11/2024)



|                |               |
|----------------|---------------|
|                | %             |
| Domestic Cash  | 1.20          |
| Domestic Bonds | 98.80         |
| <b>Total</b>   | <b>100.00</b> |

## Glossary Terms

### Annualised Returns

Annualised return is the weighted average compound growth rate over the period measured.

### Asset Allocation

Asset allocation is the percentage holding in different asset classes (i.e. equities, bonds, property, etc.). It is used to determine the level of diversification in a portfolio.

### Distributions

The income that is generated from an investment and given to investors through monthly, quarterly, bi-annual or annual distribution pay-outs.

### Derivatives

Derivatives are instruments generally used as an instrument to protect against risk (capital losses), but can also be used for speculative purposes. Examples are futures, options and swaps.

### Liquidity

The ability to easily turn assets or investments into cash.

### Information Ratio

The Information Ratio measures the market risk-adjusted performance of an investment or portfolio. The greater a portfolio's Information Ratio, the better its risk-adjusted performance has been compared to the market in general.

### LISP (Linked Investment Service Provider)

A Linked Investment Service Provider is a financial institution which packages, distributes and administers a broad range of unit trust based investments. Any investment made through these products gives an investor a single point of entry into a selection of different investments.

### Maximum Drawdown

The maximum drawdown measures the highest peak to trough loss experienced by the fund.

### Money Market Instruments

A money market instrument is a low risk, highly liquid, short-term (one year or less) debt instrument, issued by financial institutions or governments, that tend to have lower returns than high-risk investments.

### Participatory Interests

When you buy a unit trust, your money is pooled with that of many other investors. The total value of the pool of invested money in a unit trust fund is split into equal portions called participatory interests or units. When you invest your money in a unit trust, you buy a portion of the participatory interests in the total unit trust portfolio. Participatory interests are therefore the number of units that you have in a particular unit trust portfolio.

### Regulation 28

Regulation 28 of the Pension Funds Act sets out prudent investment limits on certain asset classes in investment funds. It applies specifically to investments in Retirement Annuities and Preservation Funds. The allowed maximum exposures to certain asset classes is: 75% for equities, 25% for property, 45% for foreign (offshore) assets.

### Risk-adjusted Returns

Risk-adjusted return refines an investment's return by measuring how much risk is involved in producing that return, which is generally expressed as a number or rating.

### Sharpe Ratio

The Sharpe Ratio measures total risk-adjusted performance of an investment or portfolio. It measures the amount of risk associated with the returns generated by the portfolio and indicates whether a portfolio's returns are due to excessive risk or not. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been (i.e. a higher return with a contained risk profile, where the portfolio manager is not taking excessive risk to achieve those returns).

### Standard Deviation

Standard deviation (also called monthly volatility) is a measure of how much returns on an investment change from month to month. It is typically used by investors to gauge the volatility expected of an investment.

## Distribution History (Cents per Unit)

|            |         |            |         |            |         |
|------------|---------|------------|---------|------------|---------|
| 30/11/2024 | 0.85cpu | 31/07/2024 | 1.00cpu | 31/03/2024 | 0.80cpu |
| 31/10/2024 | 0.92cpu | 30/06/2024 | 0.85cpu | 29/02/2024 | 0.86cpu |
| 30/09/2024 | 0.91cpu | 31/05/2024 | 0.94cpu | 31/01/2024 | 0.99cpu |
| 31/08/2024 | 0.90cpu | 30/04/2024 | 1.00cpu | 31/12/2023 | 0.87cpu |

## Tax Free Savings Account

This Fund qualifies as a tax free investment according to section 12T of the Income Tax Act, with effect from 1 March 2015. South African individuals qualify for the associated tax benefits namely no tax on dividends, income or capital gains whilst still enjoying all the benefits of a unit trust. Note contributions to tax free investments are limited to R36 000 per tax year, with a lifetime limit of R500 000. Amounts invested in excess of these permissible thresholds are taxable.

## Additional Information

All reasonable steps have been taken to ensure the information on this MDD is accurate. The information to follow does not constitute financial advice as contemplated in terms of the Financial Advisory and Intermediary Services Act. Use or rely on this information at your own risk. Independent professional financial advice should always be sought before making an investment decision. The Sanlam Group is a full member of the Association for Savings and Investment SA. Collective investment schemes are generally medium- to long-term investments. Please note that past performances are not necessarily a guide to future performances, and that the value of investments / units / unit trusts may go down as well as up. A schedule of fees and charges and maximum commissions is available on request from the Manager. Sanlam Collective Investments (RF) Pty Ltd, a registered and approved Manager in Collective Investment Schemes in Securities. Additional information of the proposed investment, including brochures, application forms and annual or quarterly reports, can be obtained on request from the Manager, free of charge. Collective investments are traded at ruling prices and can engage in borrowing and scrip lending. Collective investments are calculated on a net asset value basis, which is the total market value of all assets in the portfolio including any income accruals and less any deductible expenses such as audit fees, brokerage and service fees. Actual investment performance of the portfolio and the investor will differ depending on the initial fees applicable, the actual investment date, and the date of reinvestment of income as well as dividend withholding tax. Forward pricing is used. The Manager does not provide any guarantee either with respect to the capital or the return of a portfolio. The performance of the portfolio depends on the underlying assets and variable market factors. Performance is based on NAV to NAV calculations with income reinvestments done on the ex-div date. Lump sum investment performances are quoted. The portfolio may invest in participatory interests of other unit trust portfolios. These underlying funds levy their own fees, and may result in a higher fee structure for our portfolio. All the portfolio options presented are approved collective investment schemes in terms of Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA"). The Manager may borrow up to 10% the market value of the portfolio to bridge insufficient liquidity. The fund may from time to time invest in foreign countries and therefore it may have risks regarding liquidity, the repatriation of funds, political and macroeconomic situations, foreign exchange, tax, settlement, and the availability of information. Investments in foreign instruments are also subject to fluctuations in exchange rates which may cause the value of the fund to go up or down. The fund may invest in financial instruments (derivatives) for efficient portfolio management purposes. The Manager has the right to close any portfolios to new investors to manage them more efficiently in accordance with their mandates. Management of the portfolio is outsourced to Truffle Asset Management (Pty) Ltd, (FSP) Licence No. 36584, an Authorised Financial Services Provider under the Financial Advisory and Intermediary Services Act, 2002. Sanlam Collective Investments (RF) (Pty) Ltd retains full legal responsibility for the co-named portfolio. Standard Bank of South Africa Ltd is the appointed trustee of the Sanlam Collective Investments scheme. Sources of Performance and Risk Data: Morningstar Direct, INET BFA and Bloomberg. The risk free asset assumed for the calculation of Sharpe ratios: STEFI Composite Index. The highest and lowest 12- month returns are based on a calendar year period over 10 years or since inception where the performance history does not exist for 10 years. Obtain a personalised cost estimate before investing by visiting [www.sanlamunittrustsmdd.co.za](http://www.sanlamunittrustsmdd.co.za) and using our Effective Annual Cost (EAC) calculator. Alternatively, contact us at 0860 100 266. \*SCI is the abbreviation for Sanlam Collective Investments.

## Investment Manager Information

Truffle Asset Management (Pty) Ltd  
 (FSP) License No. 36584  
 Physical Address: 0B Hyde Ln, Hyde Park, Sandton, 2196  
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 Tel: +27 (11) 035 7337  
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 Website: [www.truffle.co.za](http://www.truffle.co.za)

## Manager Information

Sanlam Collective Investments (RF) (Pty) Ltd  
 Physical Address: 2 Strand Road, Bellville, 7530  
 Postal Address: P.O. Box 30, Sanlamhof, Bellville, 7532  
 Tel: +27 (21) 916 1800  
 Email: [service@sanlaminvestments.com](mailto:service@sanlaminvestments.com)  
 Website: [www.sanlamunittrusts.com](http://www.sanlamunittrusts.com)

## Trustee Information

Standard Bank of South Africa Ltd  
 Tel: +27 (21) 441 4100  
 Email: [compliance-sanlam@standardbank.co.za](mailto:compliance-sanlam@standardbank.co.za)

## Portfolio Manager Comment

As at 30 September 2024

### Economic Overview

#### The rate cutting cycle began in earnest

The US commenced their interest-rate cutting cycle with a larger than expected 0.5% cut in September. US bond yields declined, cheered on by an improved inflation outlook and more aggressive rate cut expectations. This led to a weaker dollar, which in turn benefited emerging markets, including a strengthening of the Rand. Global equity markets ended the third quarter around all-time highs, while bonds, credit and commodities managed to deliver positive returns.

The US economy, while slowing, still remains remarkably resilient as reflected in the GDPNow forecast of 2.5% growth for Q3, and continued health of the labour market. US bond yields are currently discounting a further 175bps of rate cuts over the next year and yields are therefore unlikely to compress meaningfully from here in the near term. Unlike the US, European economic growth remains depressed with PMIs in contractionary territory. This, coupled with falling inflation, has raised expectations of more aggressive European rate cuts driving European bond yields lower.

Whilst the onset of a US recession remains uncertain, the lack of structural systemic issues suggests that any potential recession will most likely be shallow. This, along with significant rate cuts and expected double digit earnings growth, for the short term, is maintaining the high S&P 500 valuation on a PE ratio in excess of 20x. That said, medium-term concerns that could weigh on the US economy remain. Consumer savings rates are historically low and below pre-pandemic levels while government deficits are significantly higher than historic levels, and the debt-to-GDP ratio has surpassed the post-WW2 peak. Against the backdrop of a high fiscal deficit, the next governing party will have their hands tied with respect to tax cuts and spending.

#### China stimulates again ... but is it enough?

Chinese policymakers announced a package of co-ordinated stimulus measures in late September. These were monetary, fiscal and equity market related and included the easing of monetary policy, the lowering of mortgage rates and the provision of funding to local governments to purchase property. There were also measures to support the stock market.

The Chinese equity market's positive response to the stimulus saw MSCI China's return for the quarter at 24%, bringing its PE ratio in line with its 10-year average of 11X. Commodity prices such as Iron Ore rose almost 20% post the announcement. While September's stimulus measures were more significant than those seen in the last few years, at approximately 1.5% of GDP, these are a fraction of the (successful) measures taken in previous downturns like the one in 2015. Market response therefore appears overdone.

China's depressed consumer confidence continues to weigh on spending. Encouraging banks to lend more does not solve for this. Whilst some of the policies do aim to stimulate consumer confidence, the quantum is insufficient. To date lax monetary policy and lowering interest rates has had negligible impact. Equity market support will also be temporary unless accompanied by a change to the economic outlook.

In addition to what we would consider an overreaction to Chinese stimulus measures, lacklustre global industrial production remains a headwind for commodities. The JPM Global manufacturing PMI deteriorated further to 48.8 in September. However, given the collapse in refining margins which will reduce refined product supply and disappointing mine production, copper should be supported gold over the next year. Gold will benefit less from falling real rates and the weaker dollar (which supported over the last quarter) and is becoming more reliant on EM central bank purchases.

The Chinese economy remains sluggish as evidenced by lacklustre credit and monetary aggregate growth. Weak internal demand, low consumer confidence and depressed consumer spending are at least being offset by double-digit export growth. However, risks continue to build as we see further tariffs being placed on Chinese exports and continued weakness in the property market weighing on consumer sentiment. Like the US, China's hands are somewhat tied. To make a meaningful impact on their economy, they would need to deploy a level of fiscal stimulus however, this would once again place them on a concerning Debt to GDP trajectory. Unless they can find genuine return accretive projects, this could potentially create financial instability and merely result in a once-off gain. Whilst we think there will be further stimulus measures, the likelihood of these being significant, and real economy-changing, is low.

#### South Africa's growth outlook improves

The outlook for SA GDP growth over the next year is finally improving. While the consumer remains under pressure, several short-term growth drivers include:

- Interest rate cuts, real wage growth and the introduction of the two-pot retirement reform (Two-pot) which will benefit near term consumer spending and savings. Two-pot, implemented in September, is expected to lift consumption given embattled consumers are opting to immediately withdraw the relevant allowance. An added benefit to tax receipts, this should also help buffer any revenue line shortfall for this fiscal year
- A decline in the oil price and import volumes will benefit GDP and the current account. The fuel price dropped to 2022 lows and will continue to ease inflation. Encouragingly, the recent CPI print came in at 4.4%, well within the target band.
- Home Affairs successfully clearing 50% of the visa backlog with a focus on critical skills and tourist visas.

- A promising increase in tourism numbers. 10% more tourists in a year could add 0.6% to GDP and needs little additional capital.
- The tailwind of reduced loadshedding.

Medium term growth should be supported by additional benefits to energy supply from the renewable pipeline, political stability from the GNU (despite some fightback at some metros in Gauteng) and SOE and structural reform. Transnet Freight Rail recently announced its official split into an infrastructure manager and an operations company, paving the way for third party participation, while the new freight tariffs for the private sector should be finalised by year end. Still to come is the separation of Eskom's transmission network.

Two years of above 2% GDP growth appears to be a reasonable outcome and could well attract foreign investors into SA equity. Furthermore, company earnings expectations do not currently reflect this level of GDP growth.

A lower cost of capital has led to higher valuations of domestically exposed shares, which have meaningfully outperformed since the elections. Domestic equities, including banks and retailers, are now trading in line with their 10-year averages. Absent a significant commodity cycle, further increases in valuations will depend on the necessary economic reform to drive economic activity and growth as noted above. Nonetheless, even at current valuations, the combination of dividends and double-digit earnings growth should deliver strong returns from the domestic equity market over the short term.

### Portfolio commentary

#### Market overview

A combination of a strong Rand (+6%), compression of CDS spreads and inflation expectations saw the local bond market (ALBI) rally 10.6% for the quarter. Fixed income assets continued to benefit from positive sentiment following the national elections. Sentiment remains strong, with participants revising SA's growth expectations upwards in the wake of improved structural reforms.

US inflation, expressed as Core PCE, has drifted lower with the last quarter annualised at just above 2%. South African Core CPI also moderated, from 4.6% to 4.1% over the last three months with expected policy rate revisions shortly thereafter coming as no surprise.

At the end of the quarter, the first interest rate cuts in both the US and SA were finally announced. Admittedly, this was a little late in the US, given the weakening of the labour market earlier in the quarter. To catch-up for missing the opportunity to begin rate reductions in July, the US Fed deemed it fit to cut rates by 50bps in September – supporting the belief that inflation will come down to 2%. South Africa commenced a rate cutting cycle days later, with a 25bps reduction.

The level of optimism currently priced into bond markets is a notable risk. Geopolitical risks remain high and threaten the sustainability of the current Goldilocks scenario, particularly the outcome of US elections and rising tensions in the Middle East. These have the potential to derail progress made in taming prices, with a return of inflation should the outcome encourage polarity and supply shocks to vital commodities.

### Performance and positioning

The fund continued to outperform its benchmark in the third quarter of 2024. Market expectations of interest rate cuts became more optimistic over the quarter and participants were finally rewarded in September with a 25bps reduction. This significantly lifted returns on local fixed rate bonds, not currently held in the fund, however floating rate notes and credit instruments did benefit. We continued to find attractive credit instruments, in preference to introducing interest rate risk in the current environment.

The rate hiking cycle has officially peaked. The pace and quantum of local rate reductions going forward is clearer, with the SARB suggesting a neutral policy rate of 7%. We remain mindful of market and valuation changes and aim to adjust duration exposure when we perceive adequate compensation for risk taken or when the current positioning is no longer expected to deliver attractive returns.

### Portfolio Managers

Hannes van der Westhuizen  
CA(SA)

Raihan Allie  
B.Bus.Sci., CFA